

**Annexation Fiscal Impacts**  
**Central Staff Review of Executive Estimates**  
**July 26, 2006**

<b>Executive's Estimated Fiscal Impacts</b>	<b>All of N. Highline</b>	<b>North of 116<sup>th</sup> only</b>
<b>O&amp;M Costs</b>	<b>\$20.9</b>	<b>\$15.51</b>
<b>Revenues</b>	<b>\$16.33</b>	<b>\$9.62</b>
<b>Difference</b>	<b>(\$4.57)</b>	<b>(\$5.89)</b>

\*Does not include \$6.5m in one-time costs

## **I. General Comments/Observations**

- Executive's estimates appear reasonable in terms of a "ballpark" estimate.
- As stated by the Executive, these numbers do not represent budgets and departments did not drill down to a detailed level.
- Several assumptions were made in developing estimates and if assumptions don't hold true, could impact revenue and expenditure estimates.
- Executive estimates do not include annual CIP costs. Executive says will conduct a more detailed analysis if area is designated a PAA.
- Unresolved issues and uncertainties could increase costs.
- Likelihood of achieving success in Olympia re: sales tax credit, is significant unknown variable.

## **II. Expenditures**

**SDOT/Annex all of N. Highline (All): \$1.3m; Annex N. of 116 (N116):\$978k; One-time costs (OT):\$712k**

**O&M Methodology:** Estimated proportional cost of service based on population & number of lane miles.

- SDOT budgets for street maintenance projects based on prioritized needs across the city. Based on King County road conditions report, Executive assumed better road conditions in N. Highline than Seattle and thus, reduced estimated proportional costs for street maintenance by 50%.
- Signal maintenance, traffic signs/control were estimated at 75% of a proportional add to reflect the lower density in the area compared with the Seattle average.

### **Capital Costs**

- SDOT did not attempt to scope major capital projects.

- Burien's engineers reviewed King County's CIP to estimate potential capital costs.

<b>Burien Transportation CIP for N. Highline</b>	
Safe Sidewalk Program	642,000
Neighborhood Traffic Safety	276,000
Traffic Signal Upgrade	396,000
Street Overlay Program	2,396,000
<b>1st Avenue South - So. 99th to SE 128th</b>	<b>14,111,000</b>
King County 2004 N. Highline Needs Report	3,480,000
<b>TOTAL TRANSPORTATION CAPITAL</b>	<b>21,301,000</b>

- According to Burien, KC has put 1<sup>st</sup> Avenue South project on hold. This is multi-jurisdiction project involving KC, Burien, Normandy Park, and Des Moines. Proposed improvements include utility undergrounding (not included in current cost estimate), sidewalks, signals, turn pockets, road base repair, storm drainage replacement and upgrades, street lights, landscaping, and urban design amenities.
- Executive believes accurate CIP estimate requires SDOT to conduct a transportation needs assessment for the proposed annexed area using Seattle standards.

**Police/All: \$4.79m; N116: \$4.44; OT: \$1.2m**

**Methodology:** Costs based on calls for service in N. Highline (from KC) and additional square mileage.

- Police costs do not account for added pressure on other specialty areas, such as internal affairs.
- Assumes starting salary costs for patrol officers when City will have to offer lateral transfers to KC officers, which likely means higher salary costs than estimated.

**Fire/All: \$5.63m; N116: \$3.59; OT: \$100k**

**Methodology:** Unclear at time of print whether SFD based O&M cost estimates on response time modeling or just assumed staffing costs associated with existing apparatus at both stations (2 fire trucks).

**O&M Costs**

- Assume four person crews. Used mid-point of salary range for firefighter and lieutenant/captain positions.
- SFD has interest in adding a ladder truck to enhance services N. Highline, but these costs (equipment, staffing, possible fire station expansion) are not included. SFD also requested a battalion chief, but DoF believes existing Battalion 7 can assume these responsibilities.
- According to SFD, the two existing stations sufficiently allow the department to provide services with comparable Seattle response times in the full annexation scenario but have not received any data on this to review.

- Response time analysis and costs associated with building a new fire station(s) was not completed for a scenario in which Burien annexed areas B and/or C.

### **Capital Costs**

- Estimates do not include costs associated with paying for fire stations and assets that may be required depending on different boundary scenarios.
  1. If Seattle annexes all of N. Highline, it will not have to pay for facilities/equipment.
  2. If Seattle annexes only Area A, Fire District (FD) 11 will need to compensate Seattle in an amount equivalent to 59.9% of the value of its assets (in form of cash, properties, and/or contracts).
  3. If Seattle annexes areas A&C, it will acquire facilities and equipment, along with 67% of its liabilities, and Seattle will also need to compensate FD 11 for 33% of its assets.
- Assumes no upgrades needed to kitchens, sleeping quarters, workout rooms, etc.
- Estimates include \$100,000 for new equipment with assumption that SFD could use most of the existing station and fire engine equipment (SFD estimates additional \$200k in costs if unable to use existing equipment at both stations).
- No seismic evaluation conducted of fire stations, which were built in 1948 (station 19) & 1956 (station 18) but DoF says both stations have been extensively remodeled over the years.

### **Seattle Municipal Court/All: \$130k; N116: \$130k**

**Methodology:** Estimates based on number of SMC filings per capita + additional N. Highline population.

- DoF estimates additional filings are equal to 2.5+ cases per judge per week on average.
- Over the last 9 years, the average weekly caseload per judge has been 40.7 cases per week. In 2004 and 2005, average judicial caseload was 36 and 37 cases per week. The 9-year caseload range is between 34- 47 cases.
- Executive believes SMC judges can “largely” absorb the additional 2.5 cases per week and .5 FTE Clerk and 1.0 FTE Probation Officer is sufficient to handle any additional administrative burden.

### **Law Department/All: \$150k; N116: \$100k; OT: \$100k**

**Methodology:** Estimates based on number of SMC filings per capita + additional N. Highline population.

- Calculate need for 1.5 Assistant City Attorney

### **Criminal Justice Contracted Services/All: \$840k; N116: \$470k**

**Methodology:** Estimates based on jail days and bookings and public defense cases per capita + additional N. Highline population.

- Assumes N. Highline has similar crime rates as Seattle (statistics appear generally comparable).

**Parks/All: \$2.31m; N116: \$1.9m; OT: \$1m**

**Methodology:** Parks conducted site visits to N. Highline parks & facilities. Ground maintenance costs based on the Parks Department's existing operating standards and level of service expectations. Southwest Pool and Miller Community Center were used as budgetary comparables for O&M costs for Evergreen Pool and White Center Recreation Center.

- Estimates assume “significant investment in promoting positive uses at these parks and in these neighborhoods through outdoor park programming, volunteer efforts and recreation programs at the community center and pool.”
- Park estimates do not include potential costs associated with any necessary upgrades to current facilities, asset preservation costs, or costs for new facilities and/or green space.

**Libraries/All: \$2.44; N116: \$1.63; OT: \$3.5m**

**Methodology:** SPL’s estimates based on comparable library costs in Seattle and assumption that Seattle will operate the three libraries in N. Highline (White Center, Boulevard Park, and Greenbridge library).

- Estimates do not include potential costs associated with SPL acquiring the facilities/land from King County Library District.

**Human Services/All: \$2.74m; N116: \$1.8m**

**Methodology:** Estimates based on marginal cost to expand HSD’s existing services to N. Highline.

- Impacts of allocating existing Families and Education levy funding to N. Highline is unclear though Mayor has stated that N. Highline would benefit from these funds (as well as contribute towards the levy).
- No additional funding budgeted for homeless/housing services.
  - City funds for homeless services are not allocated on neighborhood basis, directed primarily to downtown agencies.
  - HSD expects that some housing/homeless needs in N. Highline will be partially met through existing Seattle Housing Levy, KC’s 2060 fund (Seattle’s share of these funds will increase with annexation of N. Highline, making additional funds available on a competitive basis for projects in Seattle), and an increase in Seattle’s allocation of CDBG entitlement funds (do not know exact amount at this time).

### **Utilities (sewer, drainage, water, garbage)**

- No condition assessment of utility infrastructure has been provided.
- As with Fire District assets, Seattle may need to compensate or be compensated for a percentage of water/sewer district assets depending on boundary decision.
- Mayor's plan for utility services in N. Highline is to (1) issue a franchise to Sewer Districts to operate; (2) contract with Water District 20 to provide services and (3) assume Water District 45.

## **III. Revenues**

**Methodology:** Three approaches: 1999 estimates; King County numbers; Per capita extrapolation

- Revenues available for GF purposes include property tax, EMS levy, sales and B&O taxes, utility taxes, and other taxes and fees.
- Assumptions required to project revenues appear largely reasonable, though difficult to determine how likely it is that assumptions will hold in some cases or what the impact would be if they don't hold.
- Property tax probably easiest to estimate and therefore, most accurate.
- In some cases, DoF used revenue estimates developed in 1999 and inflated them for 2006 based on various assumptions. Examples:
  - B&O tax estimate based on 1997 employment ratio for N. Highline to Seattle and then applied to Seattle's B&O receipts. This number was then inflated by 10% to arrive at 2006 number. Seattle's B&O receipts grew at 35% during same period.
  - Drainage/sewer estimates based on Seattle's per capita tax revenues for both utilities and applied to 80% of the N. Highline area (SPU determined that ~20% of area already served by Seattle). Did not use utility tax rates. Assumes N. Highline's sewer and drainage usage is commensurate with Seattle's on a per capita basis.

### **1999 estimates x growth rate**

- B&O taxes (used 10% growth rate; Seattle's actual growth rate higher)
- Cable taxes & franchise fees
- Residential garbage
- Commercial garbage (did not inflate 1999 estimate)
- Licenses and permits
- Water
- Sewer/Drainage
- Fines and Forfeitures

### **Based on KC numbers**

- Natural gas

- Gambling taxes
- Sales Tax Revenue
- Telephone B&O
- REET (not general fund)

**Per capita extrapolation based on 2006 numbers**

- Gas taxes (not general fund)
- State shared revenues
- External service charges

**IV. Mayor's Finance Plan**

1) Request one-time funding from a \$10m incentive fund King County established to encourage annexations.

2) Work with KC to get state legislation amended that would make Seattle eligible for a local sales/use tax credit that is credited against the state's sales/use tax.

**CS Comments:**

- 1) The \$10m that KC has set aside as an annexation incentive fund is the total amount available to all jurisdictions who annex any of the 10 remaining unincorporated areas. KC has already allocated about half of the \$10 million to Federal Way and Renton. KC also anticipates starting discussions with Auburn, Kent, and Kirkland later this summer or early fall on allocation of funds. In other words, there is not likely going to be much left to the KC incentive fund by the time Seattle is ready to negotiate with KC.
- 2) It is uncertain as to how successful Seattle will be in getting the state legislation amended to make it eligible for a local sales/use tax credit.

**V. Summary of uncertainties that could impact costs**

- Costs of any necessary major transportation improvements
- Utility CIP costs & infrastructure needs
- Boundary impacts on ownership of & compensation for Water-Sewer District assets
- Fire
  - Boundary impacts on ownership of & compensation for FD assets
  - Cost of seismic upgrades if needed.
  - Need for ladder truck/battalion chief.
  - Ability to use current equipment.
  - Response time analysis and costs associated with building new fire station(s) if Burien annexes areas B and/or C.
  - Need for station upgrades in kitchens, sleeping quarters, workout rooms.

- Parks
  - Potential costs associated with necessary upgrades to current park facilities, on-going major maintenance costs, or costs associated with adding new facilities and/or green space.
- Libraries
  - Potential acquisition costs for King County libraries.
- Police
  - Actual staffing costs vs. estimates
- Accuracy of expenditure/revenue estimates.

**VI. Questions to consider in making decision to designate N. Highline PAA this year.**

1. Are Councilmembers comfortable with high level fiscal estimates or is more detailed/additional information necessary?
2. Has Seattle reached a satisfactory agreement with King County over the South Park Bridge that has been approved by both County and City Councils?
3. Does it make sense to designate before or after 2007 legislative session re: request to amend state legislation to include Seattle in sales tax credit?
4. Do Councilmembers have sufficient information to make decision on appropriate boundary from political, community, and economic standpoint?
5. Other?